

## De Minimis Guidance

**Purpose:** To provide guidance on the de minimis rate and ensure consistent application across the Nebraska Department of Health and Human services with its' subrecipients.

### Definitions/Criteria:

#### **§200.68 Modified Total Direct Cost (MTDC)**

*MTDC* means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

#### **§200.414 Indirect (F&A) costs**

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D.1.b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

### Examples:

Budget Categories	Entity 1 – Subaward \$15,000	Entity 2 – Subaward \$30,000
Salaries	\$12,000	\$19,000
Benefits	\$0	\$6,000
Equipment (not allowed in MTDC)	\$5,000	\$8,000
Travel	\$900	\$0
Supplies	\$800	\$0
Subaward amount up to \$25,000	\$15,000	\$25,000
<b>Modified Total Direct Costs (MTDC)</b>	<b>\$28,700</b>	<b>\$50,000</b>
10% de Minimis rate	\$2,870	\$5,000
Total Subaward Amount	\$15,000	\$30,000
Revised budget w/ de minimis rate	-\$16,570 (1)	-\$30,000 (2)
Budgeted amount over subaward	(1,570)	0

<b>Budgeted 10% de minimis rate</b>	<b>\$1,300 <sup>(3)</sup></b>	<b>\$5,000 <sup>(4)</sup></b>

(1)  $\$12,000 + \$900 + \$800 + \$2,870 = \$16,570$

(2)  $\$19,000 + \$6,000 + \$5,000 = \$30,000$

(3)  $\$2,870 - \$1,570 = \$1,300$

(4)  $\$5,000 - 0 = \$5,000$

#### Q&A:

Q: What happens when the budgeted amount is less than the subaward amount? Do you increase the de minimis rate?

A: No, an entity cannot charge more than the calculated de minimis rate based on the MTDC. However, an entity can always request less than the de minimis rate.

Q: Do you always have to add \$25,000 even if your subaward is a small amount?

A: No, you add in **up to** \$25,000. If your subaward is only for \$5,000 then you only add an additional \$5,000, not the full \$25,000.

Q: If subrecipients are using the de minimis rate calculation on my subaward do they have to use that calculation for the rest of their subawards?

A: Yes, subrecipients need to stay consistent. If they charge your subaward for indirect costs using the de minimis rate they must use that calculation for all of their subawards to get reimbursed for indirect costs.

Q: If the subrecipient chooses to use a percentage less than 10% for one subaward can they use 10% for another subaward?

A: Yes, the subrecipient can choose to use a lower percentage for the de minimis rate for different subawards. However, the subrecipient cannot use a percentage greater than the 10% cap.

Q: I'm getting ready to close out my grant and have received the last reimbursement request, how do I reconcile the indirect costs based on the de minimis rate?

A: You will need to recalculate the MTDC as of year-end based on actual expenditures incurred during the year and up to the first \$25,000 of each subaward. Then recalculate the total indirect costs allowed using the de minimis rate. Take the recalculated indirect cost total and subtract the amount of indirect costs already reimbursed throughout the year. This will be the remaining indirect costs allowable. Compare that amount to the total on the final reimbursement request and adjust the final request as necessary.

Q: Can a subrecipient just request reimbursement of indirect costs quarterly based on the budgeted amount?

A: Yes. For simplicity, the subrecipient may choose to take the properly calculated indirect cost total from the budget and split that into even quarterly or monthly amounts depending on the frequency of your subrecipients reimbursement requests. It is then expected that to close out the grant and reconcile the indirect costs, DHHS will adjust the final reimbursement request to reflect the accurate total. See the close out question above.

Q: If the calculated budget using the de minimis rate exceeds the subaward amount, as in Entity 1 above, how should the subrecipient account for this?

A: The subrecipient must either reduce their budgeted indirect costs or reduce any direct costs not included in MTDC (i.e. equipment). The subrecipient could attempt a reduction in direct costs included in MTDC. However, that would require a complete recalculation of the indirect costs.